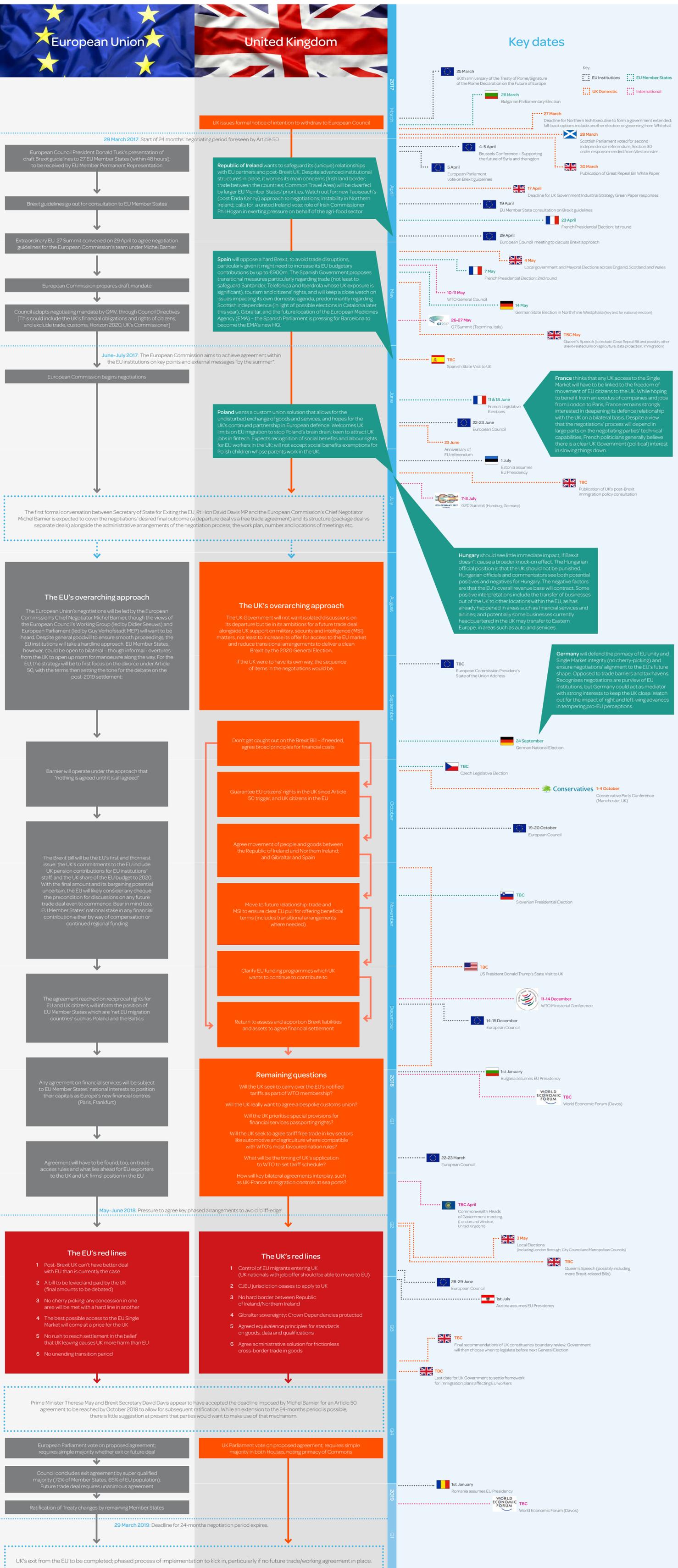


Milestones in the Brexit Negotiations

"If the British people vote to leave, there is only one way to bring that about, namely to trigger article 50 of the treaties and begin the process of exit, and the British people would rightly expect that to start straight away". In the event, former UK Prime Minister David Cameron was wrong in his February 2016 statement to Parliament in so far as it took another nine months for it to happen. But where next after Cameron's successor, Theresa May, fires the starting gun and thus indeed begins the process of exit?

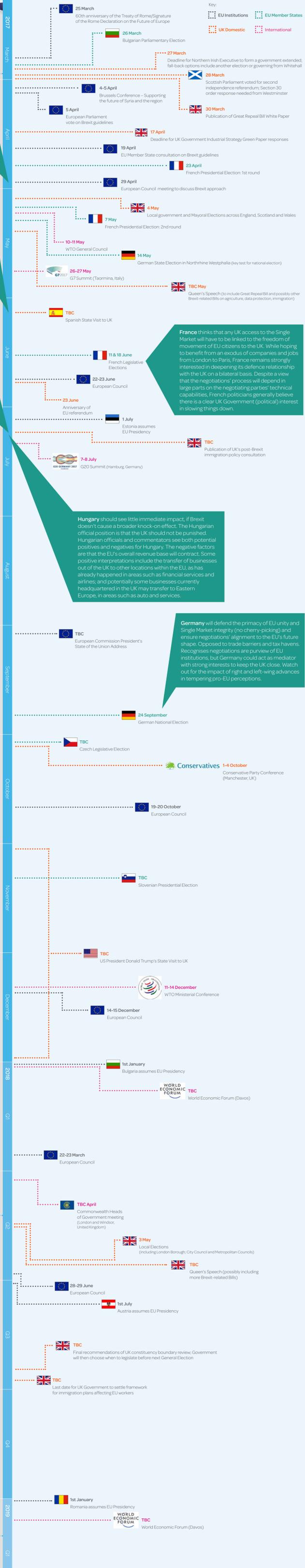
Working with our partners across Europe, Instinctif Partners' Public Policy team have sought to chart the next 24 months in which the negotiations will take place. We do hope that it will serve as a guide as you consider your organisation's next steps.

Do get in touch if you want to know more: brexitteam@instinctif.com or visit our website instinctif.com for more information.



Key dates

Key:
 EU Institutions (Blue square)
 EU Member States (Green square)
 UK Domestic (Red square)
 International (Purple square)



Republic of Ireland wants to safeguard its (unique) relationships with EU partners and post-Brexit UK. Despite advanced institutional structures in place, it worries its main concerns (Irish land border; trade between the countries; Common Travel Area) will be dwarfed by larger EU Member States' priorities. Watch out for: new Taoiseach's (post-Enda Kenny) approach to negotiations; instability in Northern Ireland; calls for a united Ireland vote; role of Irish Commissioner Phil Hogan in exerting pressure on behalf of the agri-food sector.

Spain will oppose a hard Brexit, to avoid trade disruptions, particularly given it might need to increase its EU budgetary contributions by up to €900m. The Spanish Government proposes transitional measures particularly regarding trade (not least to safeguard Santander, Telefonica and Iberdrola whose UK exposure is significant), tourism and citizens' rights, and will keep a close watch on issues impacting its own domestic agenda, predominantly regarding Scottish independence (in light of possible elections in Catalonia later this year), Gibraltar, and the future location of the European Medicines Agency (EMA) – the Spanish Parliament is pressing for Barcelona to become the EMA's new HQ.

Poland wants a custom union solution that allows for the undisturbed exchange of goods and services, and hopes for the UK's continued partnership in European defence. Welcomes UK limits on EU migration to stop Poland's brain drain; keen to attract UK jobs in fintech. Expects recognition of social benefits and labour rights for EU workers in the UK; will not accept social benefits exemptions for Polish children whose parents work in the UK.

France thinks that any UK access to the Single Market will have to be linked to the freedom of movement of EU citizens to the UK. While hoping to benefit from an exodus of companies and jobs from London to Paris, France remains strongly interested in deepening its defence relationship with the UK on a bilateral basis. Despite a view that the negotiations' process will depend in large parts on the negotiating parties' technical capabilities, French politicians generally believe there is a clear UK Government (political) interest in slowing things down.

Hungary should see little immediate impact, if Brexit doesn't cause a broader knock-on effect. The Hungarian official position is that the UK should not be punished. Hungarian officials and commentators see both potential positives and negatives for Hungary. The negative factors are that the EU's overall revenue base will contract. Some positive interpretations include the transfer of businesses out of the UK to other locations within the EU, as has already happened in areas such as financial services and airlines; and potentially some businesses currently headquartered in the UK may transfer to Eastern Europe, in areas such as auto and services.

Germany will defend the primacy of EU unity and Single Market integrity (no cherry-picking) and ensure negotiations' alignment to the EU's future shape. Opposed to trade barriers and tax havens. Recognises negotiations are purview of EU institutions, but Germany could act as mediator with strong interests to keep the UK close. Watch out for the impact of right and left-wing advances in tempering pro-EU perceptions.

European Council President Donald Tusk's presentation of draft Brexit guidelines to 27 EU Member States (within 48 hours), to be received by EU Member Permanent Representation

Brexit guidelines go out for consultation to EU Member States

Extraordinary EU-27 Summit convened on 29 April to agree negotiation guidelines for the European Commission's team under Michel Barnier

European Commission prepares draft mandate

Council adopts negotiating mandate by OMV through Council Directives (This could include the UK's financial obligations and rights of citizens, and exclude trade, customs, Horizon 2020, UK's Commissioner)

June–July 2017. The European Commission aims to achieve agreement within the EU institutions on key points and external messages "by the summer".

European Commission begins negotiations

The first formal conversation between Secretary of State for Exiting the EU, Rt Hon David Davis MP and the European Commission's Chief Negotiator Michel Barnier is expected to cover the negotiations' desired final outcome (a departure deal vs a free trade agreement) and its structure (package deal vs separate deals) alongside the administrative arrangements of the negotiation process, the work plan, number and locations of meetings etc.

The EU's overarching approach

The European Union's negotiations will be led by the European Commission's Chief Negotiator Michel Barnier, though the views of the European Council's Working Group (led by Didier Seeuws) and European Parliament (led by Guy Verhofstadt MEP) will want to be heard. Despite general goodwill to ensure smooth proceedings, the EU institutions will take a hardline approach. EU Member States, however, could be open to bilateral – though informal – overtures from the UK to open up room for manoeuvre along the way. For the EU, the strategy will be to first focus on the divorce under Article 50, with the terms then setting the tone for the debate on the post-2019 settlement.

Barrier will operate under the approach that "nothing is agreed until it is all agreed"

The Brexit Bill will be the EU's first and thorniest issue: the UK's commitments to the EU include UK pension contributions for EU institutions' staff, and the UK share of the EU budget to 2020. With the final amount and its bargaining potential uncertain, the EU will likely consider any cheque the precondition for discussions on any future trade deal even to commence. Bear in mind too, EU Member States' national stake in any financial contribution either by way of compensation or continued regional funding

The agreement reached on reciprocal rights for EU and UK citizens will inform the position of EU Member States which are 'net EU migration countries' such as Poland and the Baltics

Any agreement on financial services will be subject to EU Member States' national interests to position their capitals as Europe's new financial centres (Paris, Frankfurt)

Agreement will have to be found, too, on trade access rules and what lies ahead for EU exporters to the UK and UK firms' position in the EU

The UK's overarching approach

The UK Government will not want isolated discussions on its departure but tie in its ambitions for a future trade deal alongside UK support on military, security and intelligence (MSI) matters, not least to increase its offer for access to the EU market and reduce transitional arrangements to deliver a clean Brexit by the 2020 General Election.

If the UK were to have its own way, the sequence of items in the negotiations would be:

- Don't get caught out on the Brexit Bill – if needed, agree broad principles for financial costs
- Guarantee EU citizens' rights in the UK since Article 50 trigger, and UK citizens in the EU
- Agree movement of people and goods between the Republic of Ireland and Northern Ireland, and Gibraltar and Spain
- Move to future relationship: trade and MSI to ensure clear EU pull for offering beneficial terms (includes transitional arrangements where needed)
- Clarify EU funding programmes which UK wants to continue to contribute to
- Return to assess and apportion Brexit liabilities and assets to agree financial settlement

Remaining questions

- Will the UK seek to carry over the EU's notified tariffs as part of WTO membership?
- Will the UK really want to agree a bespoke customs union?
- Will the UK prioritise special provisions for financial services passporting rights?
- Will the UK seek to agree tariff free trade in key sectors like automotive and agriculture where compatible with WTO's most favoured nation rules?
- What will be the timing of UK's application to WTO to set tariff schedule?
- How will key bilateral agreements interplay, such as UK-France immigration controls at sea ports?

- The EU's red lines**
- 1 Post-Brexit UK can't have better deal with EU than is currently the case
 - 2 A bill to be levied and paid by the UK (final amounts to be debated)
 - 3 No cherry-picking: any concession in one area will be met with a hard line in another
 - 4 The best possible access to the EU Single Market will come at a price for the UK
 - 5 No rush to reach settlement in the belief that UK leaving causes UK more harm than EU
 - 6 No unending transition period

- The UK's red lines**
- 1 Control of EU migrants entering UK (UK nationals with job offer should be able to move to EU)
 - 2 CJEU jurisdiction ceases to apply to UK
 - 3 No hard border between Republic of Ireland/Northern Ireland
 - 4 Gibraltar sovereignty; Crown Dependencies protected
 - 5 Agreed equivalence principles for standards on goods, data and qualifications
 - 6 Agree administrative solution for frictionless cross-border trade in goods

Prime Minister Theresa May and Brexit Secretary David Davis appear to have accepted the deadline imposed by Michel Barnier for an Article 50 agreement to be reached by October 2018 to allow for subsequent ratification. While an extension to the 24-months period is possible, there is little suggestion at present that parties would want to make use of that mechanism.

European Parliament vote on proposed agreement; requires simple majority whether exit or future deal

Council concludes exit agreement by super qualified majority (72% of Member States, 65% of EU population). Future trade deal requires unanimous agreement

Ratification of Treaty changes by remaining Member States

UK Parliament vote on proposed agreement; requires simple majority in both Houses, noting primacy of Commons

29 March 2019. Deadline for 24-months negotiation period expires.

UK's exit from the EU to be implemented; phased process of implementation to kick in, particularly if no future trade/working agreement in place.